

TREASURY AND AGENCY TREASURY SERVICES AGREEMENT

This Treasury Services Agreement ("Agreement") is made and entered into between State of Alabama Office of State Treasurer ("Treasury") and Penny Trust Fund ("Agency") and collectively the Parties ("Parties").

WHEREAS, the Treasury is legally vested and charged with the powers, functions and duties to receive, deposit and invest state monies pursuant to the Code of Alabama, §41-14-30; and,

WHEREAS, the Agency is legally permitted to invest certain funds and to credit interest from such investment to its fund for use by the Agency; and,

WHEREAS, the Agency requests the Treasury to provide guidance in the investment of its funds; and,

NOW THEREFORE, the Parties agree between and with each other as follows:

Section 1. Effective Date.

The effective date of this Agreement is December 8th, 2011, and the Parties agree that this Agreement shall continue indefinitely, until terminated by the written consent of either of the Parties with 30 days notice.

Section 2. General Treasury Investment Guidelines.

Agency acknowledges that it has read and is in agreement with the Treasury Investment Guidelines Statement attached hereto and incorporated herein as Exhibit A. Treasury acknowledges Agency monies will be invested according to the Treasury Investment Guidelines. A description of eligible securities in accordance with State law is attached as Exhibit B ("Eligible Securities").

Agency acknowledges that past investment performance is no guarantee of future investment performance.

Agency acknowledges its awareness and understanding of the below specified risks inherent in the Eligible Securities listed in the Treasury Investment Guidelines:

1. Credit (Default) Risk is the potential for failure of a debtor to make timely payments of principal and interest as they become due. Such risk is considered limited in the Eligible Securities.
2. Liquidity or Early Withdrawal Risk is the risk that a financial instrument cannot be sold or closed out quickly, at or close to its implicit economic value. Such risk is associated with Mortgage Backed Securities (MBS).
3. Interest Rate Risk is the risk that interest rates will change, causing a decline in either the market price for the security or decline in yield. Such risk is associated with all Eligible Securities.
4. Prepayment Risk is the risk that the actual prepayment of principal is different from the expected prepayment speed assumptions, thereby affecting the actual market price and yield of the investment. Such risk is associated with MBS.
5. Market Risk is the risk that the market price of the security will decline substantially for reasons such as market pricing aberrations, changes in supply and demand characteristics of a particular security market(s) and market sensitivity. This risk is associated with all Eligible Securities.

Section 3. Specific Treasury Investment Guidelines.

A. Authorization

Agency certifies that it is legally authorized to invest agency funds and to retain interest earned in accordance with the following statute, or other document:

Statute:

Other (please attach a copy):

B. Cash Flow

In order to determine the most effective investment instrument, it is necessary to understand Agency's cash flow and liquidity needs for the investment account. Based on its needs, Agency estimates and authorizes that its investment portfolio of approximately **\$14,170,241** be initially divided as follows:

10% 0-12 Month Strategy. Designed for investors to meet daily liquidity needs.

 1-3 Year Strategy. Designed for investors with a two-year investment horizon. Agency will notify Treasury 24 hours prior to withdrawal of monies.

90% 3-5 Year Strategy. Designed for investors with a four-year investment horizon. Agency will notify Treasury 24 hours prior to withdrawal of monies.

C. Other Information

Following is additional information provided by the Agency to Treasury:

Section 4. Fees.

Treasury does not charge fees for investment of Agency funds.

Other fee information is as follows:

- A. Money Market Mutual Funds (0-12 Month Strategy). No load fees and no commissions are charged by a Fund for buying and selling shares of the Fund. An operating expense ratio of approximately .20% is typically charged by a on Fund and is paid from the invested assets. Return calculations and income are net of expenses.
- B. Bank or Trust Deposit Products (0-12 Month Strategy). No fees.
- C. 1-3 Year Strategy and 3-5 Year Strategy. An investment management fee is charged by the professional firm managing these portfolios. Fee of .05% will be deducted from the income earned.
- D. Other. If custodial or other fees are charged by the financial institution in the investment of Agency funds, these fees will be deducted from the income earned. There are no known other fees as of the date of this Agreement.

Section 5. Agency Responsibilities:

- A. To receive and review a prospectus for each money market mutual fund considered.
- B. To certify income into Treasury as received.
- C. To review online statements of the investment portfolios.
- D. To timely prepare and deliver electronic journal voucher warrant ("EJVW") documentation to Comptroller for disbursement to the Agency investment account.
- E. To provide written notification to Treasury of any withdrawals from Agency investment account, and to prepare and deliver a cash receipt for said monies when received.
- F. To provide updates to cash flow information provided by Agency in this Agreement.

Section 6. Treasury Responsibilities:

- A. To provide Agency a prospectus for each money market mutual fund considered.
- B. To withdraw monies from the Agency investment account upon written direction from Agency.
- C. To deposit monies in the Agency investment account upon written direction from Agency through EJVW documentation.

- D. To select investment managers through a competitive process to manage Agency monies.
- E. To serve as contact to Agency for any matters regarding this Agreement.

Section 7. Communication.

Treasury and Agency are authorized to accept instructions and information from the following persons and e-mail addresses. Treasury and Agency are held harmless when acting upon any instructions or information received from the following persons and e-mail addresses.

A. Agency:

Name: Cory Rambo
Phone: 242-7521

E-Mail: cory.rambo@treasury.alabama.gov

Name: Edward Dicks
Phone: 242-7521

E-Mail: edward.dicks@treasury.alabama.gov

Name:
Phone:

E-Mail:

B. Treasury:

Name: Roman McLeod
Phone : 242-7547

E-Mail: roman.mcleod@treasury.alabama.gov

Name: Saketa Wilkerson
Phone: 242-4491

E-Mail: saketa.wilkerson@treasury.alabama.gov

Name: Daria Story
Phone: 242-7506

E-Mail: daria.story@treasury.alabama.gov

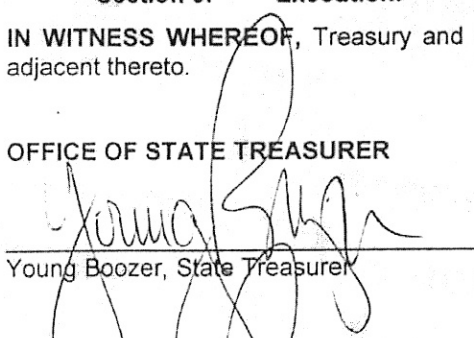
Section 8. Standard of Care.

Selection of investment managers by Treasury shall be made with reasonable judgment and ordinary care under circumstances then prevailing. When acting in accordance with this section of this Agreement, Treasury staff shall not be subject to personal responsibility of any risk associated with this agreement and shall have state agent immunity from any liability related to this undertaking and any diminution in value of investments.

Section 9. Execution.

IN WITNESS WHEREOF, Treasury and Agency have executed this instrument as of the date written adjacent thereto.

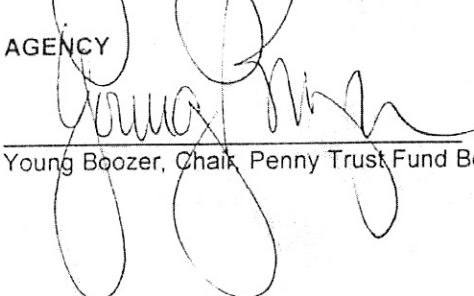
OFFICE OF STATE TREASURER



Young Boozer, State Treasurer

DATE: 12/08/11

AGENCY



Young Boozer, Chair, Penny Trust Fund Board

DATE: 12/08/11

EXHIBIT A-1
STATE OF ALABAMA
TREASURY INVESTMENT GUIDELINES
1-3 Year Strategy

1. Authority
Section 41-14-30, Code of Alabama (1975)
2. Investment Objectives, in priority order:
 - a. Preservation of Principal
 - b. Liquidity
 - c. Maximize Income
3. Investment Goal:
To produce a return, after fees, in excess of the benchmark throughout economic cycles consistent with sector limitations, inherent security risks, and prudent investment principles.
4. Benchmark Index: Barclay's 1-3 Year Government Index
5. Eligible Securities:
 - a. Bonds, notes or treasury bills of the United States;
 - b. Any other obligations guaranteed as to principal and interest by the United States;
 - c. Obligations of any agency or instrumentality of the United States of America, including but not limited to the FHLB, Federal Land Bank, FNMA, FHLMC, FFCB, Federal Intermediated Credit Bank, banks for cooperatives, Resolution Trust Corporation, or any of its other agencies;
 - d. Mortgage backed securities and collateralized mortgage obligations issued by obligations of the United States or its agencies;
 - e. Repurchase agreements secured by obligations of the United States or its agencies. Initial and overnight collateralization at 102% of the market value and accrued interest, and term repurchase agreements at 101% of the market value and accrued interest;
 - f. Money market mutual funds investing solely in Eligible Securities under this section.
6. Specific Guidelines:
 - a. Maximum effective maturity of any purchase will be five (5) years.
Market accepted average life at time of purchase shall be used in lieu of final maturity for the purpose of maturity acceptability of mortgage-backed securities
 - b. Maximum exposure to agency sector may be up to 90%
 - c. No more than 25% invested in any single US agency issuer
 - d. Average effective duration should be +/- 30% of the index duration

EXHIBIT A-2
STATE OF ALABAMA
TREASURY INVESTMENT GUIDELINES
3-5 Year Strategy

1. Authority
Section 41-14-30, Code of Alabama (1975)
2. Investment Objectives, in priority order:
 - a. Preservation of Principal
 - b. Liquidity
 - c. Maximize Income
3. Investment Goal:
To produce a return, after fees, in excess of the benchmark throughout economic cycles consistent with sector limitations, inherent security risks, and prudent investment principles.
4. Benchmark Index: Barclay's 3-5 Year Government Index
5. Eligible Securities:
 - a. Bonds, notes or treasury bills of the United States;
 - b. Any other obligations guaranteed as to principal and interest by the United States;
 - c. Obligations of any agency or instrumentality of the United States of America, including but not limited to the FHLB, Federal Land Bank, FNMA, FHLMC, FFCB, Federal Intermediated Credit Bank, banks for cooperatives, Resolution Trust Corporation, or any of its other agencies;
 - d. Mortgage backed securities and collateralized mortgage obligations issued by obligations of the United States or its agencies;
 - e. Repurchase agreements secured by obligations of the United States or its agencies. Initial and overnight collateralization at 102% of the market value and accrued interest, and term repurchase agreements at 101% of the market value and accrued interest;
 - f. Money market mutual funds investing solely in Eligible Securities under this section.
6. Specific Guidelines:
 - a. Maximum effective maturity of any purchase will be five (5) years.
Market accepted average life at time of purchase shall be used in lieu of final maturity for the purpose of maturity acceptability of mortgage-backed securities
 - b. Maximum exposure to agency sector may be up to 90%
 - c. No more than 25% invested in any single US agency issuer
 - d. Average effective duration should be +/- 30% of the index duration

EXHIBIT B

Eligible Securities

Listed below are investment instruments currently permitted for the investment of Treasury funds. (§41-14-30, §41-14-31, Code of Alabama)

1. REPURCHASE AGREEMENTS (REPO)

A repurchase agreement is an arrangement by which a financial institution sells securities at a specified price under a commitment to repurchase the same or similar securities at a later date. The securities are considered collateral for the transaction to protect the purchaser against default by the bank. The market accommodates terms generally ranging from overnight to 1 month.

2. U.S. TREASURY SECURITIES

These are direct obligations of the U.S. Treasury and are therefore of unquestioned credit quality. They may be purchased in maturities ranging from 1 day to 30 years and include zero coupon instruments. They have a secondary market of great depth, breadth and resiliency, which assures ready liquidity. They may serve as collateral for repurchase agreements.

- Treasury Bills (T-Bills) have a maturity of one year or less and are purchased at a discount. The purchaser receives the full value at maturity.
- Treasury Notes are available for terms of 1 to 10 years and interest is paid semiannually.
- Treasury Bonds are long-term obligations that mature from 10 to 30 years with interest paid semiannually.

3. FEDERAL AGENCY SECURITIES

These are obligations issued by various agencies of the Federal Government (including: GNMA, FNMA, FHLB, FHLMC, SLMA).

- a. FNMA, also known as "Fannie Mae", is the Federal National Mortgage Association. This is a U.S. Government sponsored private corporation authorized to purchase and sell home mortgages.
- b. FHLB, Federal Home Loan Bank, is a government sponsored wholesale bank which lends funds and provides correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies.
- c. FHLMC, also known as "Freddie Mac", is the Federal Home Loan Mortgage Corporation. This is a federally created corporation that facilitates the financing of single-family residential housing by creating and maintaining an active market for conventional home mortgages.
- d. GNMA, also known as "Ginnie Mae", is the Government National Mortgage Association. This is an agency of the U.S. Department of Housing and Urban Development empowered to provide assistance in financing home mortgages. GNMA is responsible for management and liquidation of federally owned mortgage portfolios, and issues bonds that are secured by single family mortgages. GNMA is guaranteed by the full faith and credit of the U.S. Government.
- e. SLMA, also known as "Sallie Mae", is the Student Loan Marketing Association. This is a publicly traded corporation established by federal action that increases availability of educational loans by purchasing student loans from originating lenders and originating loans on its own behalf.

4. AGENCY ISSUED MORTGAGE-BACKED SECURITIES (MBS)

These are cash flow bonds secured by mortgages and issued by GNMA, FNMA, or FHLB. The GNMA issues have the same credit quality as U.S. Governments and are backed by the U.S. Treasury as to the timely repayment of principal and interest. FNMA and FHLMC are federally chartered privately-owned corporations that carry agency status with respect to their debt issues.

5. MONEY MARKET MUTUAL FUNDS

A cash equivalent fund invested in large denominations of high quality, short-term, interest-bearing securities designed to provide liquidity, good yields, and no loss of capital. The Fund seeks to preserve the value of the investment at \$1.00 per share. Each mutual fund is unique and the prospectus describes its objectives, investment strategy, and potential performance. Potential Funds include Goldman Sachs, Federated and Fidelity institutional shares.

6. BANK OR TRUST DEPOSITS

Deposits held in banks or trust departments located in the State of Alabama may include NOW accounts and certificates of deposit. All bank deposits are secured by the SAFE Program. All trust bank deposits are secured by collateral at 105% of the deposit.

(End)

